

VZCZCXRO0594
RR RUEHGH RUEHVC
DE RUEHCN #0229/01 2880943
ZNR UUUUU ZZH
R 150943Z OCT 09
FM AMCONSUL CHENGDU
TO RUEHC/SECSTATE WASHDC 3458
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHCN/AMCONSUL CHENGDU 4152

UNCLAS SECTION 01 OF 02 CHENGDU 000229

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ELAB](#) [EAGR](#) [PGOV](#) [SOCI](#) [CH](#)

SUBJECT: CHONGQING GOALS FOR BALANCED URBAN-RURAL DEVELOPMENT

REF: A) 2007 CHENGDU 129, B) CHENGDU 163

CHENGDU 00000229 001.2 OF 002

¶1. Summary: As one of only two pilot areas in China working to reduce the economic imbalance between urban and rural citizens (ref A), Chongqing Municipality -- where rural residents account for 70 percent of 33 million inhabitants -- is focusing inter alia on reforming the social security, land use, and rural banking and finance systems, Chongqing Development and Reform Commission (CQDRC) officials said. County-level experiments include offering apartments in lieu of farmland, providing preferential policies for new businesses, and establishing agricultural cooperatives. Land use rights are being relaxed to allow farmers to convert land into shares of cooperatives, and rural "hukou" or residence registrations are being gradually reclassified as "urban" to reap social service and insurance benefits. UK banks HSBC and Standard Chartered have received approval to operate at the county level in order to expand rural finance. End Summary.

Urban-Rural Coordinated Development and Reform

¶2. Chongqing Municipality's second ten-year development plan, begun in 2007, focuses on making Chongqing an important "pole for growth" in western China and becoming the economic center of the upper Yangtze River area, CQDRC Deputy Director Shen Xiaozhong told Consul General on September 22. Key to these goals is accelerating urban-rural reform to reduce disparities between urban and rural areas. The State Council thus announced in 2007 that Chongqing Municipality, with a 70-30 split between rural and urban among its population of 33 million, was to become one of two pilot areas (along with Chengdu and six million rural inhabitants in its environs) for "Urban-Rural Coordinated Development and Reform."

¶3. In January 2009, the State Council issued further guidance to Chongqing, recommending the municipality focus on settling migrants from the Three Georges Dam (90 percent complete), develop modern agriculture to boost development of a "new socialist countryside," accelerate transformation of old industrial bases, develop a modern service industry, develop an inland open economy, accelerate infrastructure development, strengthen resource conservation and environmental protection, improve public services, and promote scientific and technological progress and independent innovation. Specific areas mentioned by the State Council for reform in Chongqing's urban-rural systems include public budget and revenue, "hukou" or residence registration, land use and management, social security, rural banking and finance, and administrative management and government operations.

Reform Experiments in Three Counties

¶4. CQDRC Senior Chief of Reform and Coordination, Chen Jihong, offered examples of pilot urban-rural reform projects being

carried in three counties. In Jiulong County, an economically backward area close to the main city, the government is experimenting with urbanizing rural residents by relocating them to a centralized community, where they can obtain a government-built apartment in exchange for their farmland. In Dianjiang County, the government is experimenting with reforming farmers' land use rights in order to develop an agriculture product base and develop tourism, offering preferential policies for farm laborers who return from coastal areas to start their own businesses. In Liangping County, farmers are being encouraged to form farmers' specialized cooperatives (nongmin zhuan ye hezuoshe) to focus on specific agriculture areas such as aquaculture and orchard production. Longer-term, those living in rural areas will be gradually moved from the mountains to the plains, and later become urban residents, Chen explained.

Expanding Farmers' Land Use Rights

15. At the Chongqing Academy of Social Sciences (CASS), Deputy Director Zhang Bo elaborated on attempts to reform farmers' land use rights under the urban-rural reform plan. Previously, he said, farmers had only the right to use or rent their land. Under the reforms, farmers will also be able to sub-contract out land, as well as obtain a mortgage loan, or form a business by transforming land value into shares. In the latter case, farmers can form land use cooperatives (tudi hezuoshe), Zhang said, becoming shareholders of the co-op by using land value as shares. These co-ops, once established, can attract outside investment for future development. Zhang offered examples including Chongqing's Organic Vegetable Production Base and Fruit Production Base.

Improving Social Security: Calling Rural "Urban"

16. Due to the imbalance in development between urban and rural

CHENGDU 00000229 002.2 OF 002

areas, China's social security system is also not well implemented in rural areas, CASS Section Chief Xu Yuming added. With financial support from the central government, Chongqing plans to accelerate the process of improving the social security system and promote reform of medical insurance and insurance for the elderly. To achieve equal coverage for both urban and rural residents, the Chongqing government plans to gradually redefine those currently classified as rural according to their "hukou" (residence registration) as "urban," as those classified as urban enjoy higher insurance coverage and public services. This cannot be done all at once, however, due to the enormous costs of expanding services to the entire rural population, she said.

Opening County Financial Markets to Foreign Banks

17. To increase rural financial activity, CQDRC Deputy Director Shen said that Chongqing is working to open up financial markets at the county level and allow foreign financial institutions to operate. HSBC and Standard Chartered have already received approval in two counties (ref B), though no American bank has yet received approval, he said. To date, some 52 domestic financial institutions have won approval from the Chongqing government to set up county level banks. These banks will provide farmers with easier access to small loans. At the same time, small-scale commercial loan operators are also being allowed to provide private capital to farmers. This method is not only flexible, convenient, and efficient, but will also create additional job opportunities, Shen said.

BROWN